
2002 Sales and Use Tax Rate Changes

**Sales &
Use tax
notice**

Chapter 856, Public Acts of 2002 increases the general state Sales and Use Tax rate on the sale, use or lease of tangible personal property and taxable services by 1% to a new state rate of 7%. This does not apply to items of food and food ingredients, as defined in the bill, which remain at the 6% state rate. The increase in the state rate allows the combined state and local sales and use tax rate to reach a maximum of 9.75%.

“Food and food ingredients,” as defined in the statute, that will continue to be taxed at the rate of 6%, does not include candy, dietary supplements, or prepared food.

“Candy” does not include any preparation containing flour and shall require no refrigeration.

“Dietary supplement” means any product, other than tobacco, intended to supplement the diet.

“Prepared food” includes:

1. Food sold in a heated state or heated by the retail seller;
2. Two or more food ingredients mixed or combined by the seller for sale as a single item; and
3. Food sold with eating utensils, including napkins and straws, provided by the seller.

Prepared food does not include food that is only sliced, repackaged, or pasteurized.

“Food and food ingredients” also does not include beer, wine, or any other beverage that contains alcohol, nor does it include cigarettes, cigars, or any other product that contains tobacco.

The department is preparing separate notices for each of these categories.

The effective date of the new rate is July 15, 2002, and is applicable to all persons exercising a taxable privilege in Tennessee as defined in Tenn. Code Ann. Section 67-6-201. For the period beginning July 1, 2002, persons filing sales and use tax returns will remit payment at the current 6% rate for July 1 – July 14, 2002, the new 7% rate for July 15 – July 31, 2002, and the 6% rate on food for the entire month. The first return reflecting the new tax rate will be due on August 20, 2002.

Vending Machines

Effective July 15, 2002, the Sales or Use Tax base has been expanded to include sales made from any vending machine or device. The previous statute governing vending machine sales, Tenn. Code Ann. Section 67-4-506, has been deleted in its entirety. Persons providing sales using vending machines or devices must register with the Department of Revenue for payment of the sales or use

tax for the period beginning July 15, 2002. The first return for remitting payment of the tax on vending machines sales is due August 20, 2002. Vending machine sales are subject to the state tax rate of 7% on sales of tangible personal property or 6% state tax rate on qualified food and food ingredients, plus the applicable local rate.

In addition, on July 15, 2002, the tax rate on items of tangible personal property that are not sold, but are used, consumed, distributed, or stored for either use or consumption in Tennessee is likewise increased to 7% plus the appropriate local tax rate.

Single Article

Also effective July 15, 2002, a state sales or use tax of 2.75% is levied on the amount in excess of \$1,600, but less than or equal to \$3,200, on the sale or use of any single article of personal property as defined in Tenn. Code Ann. Section 67-6-702(d). The first \$1,600 of the sales price will continue to be taxed at the appropriate local rate. The amount from \$1,601 to \$3,200 will be taxed at a uniform rate of 2.75%. The single-article cap only applies to the sale of tangible personal property and does not apply to the sale of services.

Have questions or comments? Please let us know. [Contact us.](#)

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